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Reserve
Survey of Wholesale Vs. F.o.b. Price Reports
on Dressed Turkeys - December 1942

Increasing interest in f.o.b. price information on dairy and poultry products has been shown during the past few years. This is particularly true of producers and shippers, because f.o.b. prices are of more significance to them in determining net returns than selling prices in terminal markets. In recognition of this, the Market News Service of the Food Distribution Administration is reporting prices on an f.o.b. basis in the several markets where it is possible to do so.

For the most part, however, published prices have reflected wholesale selling prices in terminal markets. There are several reasons for this, namely: (1) prevailing marketing methods and practices have been such as to make that information the type most readily available; (2) dealers generally have been more willing to supply such information than that regarding buying prices; (3) in shipper-receiver arrangements grades and grading have not been recognized to the same degree that they are recognized in wholesale trading in terminal markets; (4) wholesale market prices which reflect price-quality relationships generally have been considered to be of more definite value than f.o.b. prices; (5) the fact that buying and selling arrangements have been generally adjusted to the use of wholesale prices.

In the case of dressed turkeys, an exception to the foregoing has to be made, for over a period of years graded turkeys have been shipped to terminal markets in increasing quantities. This is partly due to the expanded use of the Federal grading service. Supplementing this trend, the issuance of maximum price regulations by the OPA prior to the Christmas holiday marketing period in 1942, including the required adoption of grades, more definitely placed the

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buying and selling of dressed turkeys on a grade basis throughout the whole marketing process than formerly had been true. The OPA price regulation established dollars-and-cents prices for birds delivered to buyers' customary receiving points, which, in the case of a designated terminal market such as New York, constituted f.o.b. prices.

The situation during the 1942 marketing season seemed to afford an opportunity to collect statistical data which might be of use in determining the practicability of reporting f.o.b. prices as against wholesale selling prices. Surveys were made therefore during December 1942 at New York, Chicago, Philadelphia and Boston. The purpose was to ascertain the volume of turkeys received under various methods of settlement, i.e., volumes bought at definite f.o.b. shipping-point prices, at f.o.b. market prices, at prices in relation to published wholesale quotations, and on commission, and the relationship of prevailing practices to the general field of price reporting.

Results of these surveys revealed an abnormal situation, insofar as buying and selling arrangements between shippers and receivers were concerned. Two conditions accounted for this, namely, the extreme shortage of turkeys on terminal markets in the period covered by the surveys, and, the newly established OPA price ceilings. It was found that approximately 79 percent of the turkeys arriving at the four markets for the 1942 Christmas trading were received at definite f.o.b. prices, and that these were the OPA ceiling prices. The quantities reported sold at f.o.b. market prices were so much greater than in previous years, that a follow-up survey was made to determine as nearly as possible what the probable shipper-receiver arrangements would have been had there been no OPA ceiling prices. The results are set forth in the following tables. Table 1 shows the arrangements which actually prevailed, and Table 2 shows what the same dealers arrangements were under normal conditions.

Table 1. - Basis of buying dressed turkeys, December 1942

Market	Receipts <u>1/</u> in Pounds	Purchased at FOB shipping point	Received at definite price FOB market	Received on guaranteed basis in relation to wholesale quotations		Percentage total receipts sold at wholesale <u>2/</u>
				Percent	Percent	
New York	9,212,000	0	92.0	8.0	0	100.0
Chicago	4,341,000	9.0	87.0	4.0	0	100.0
Philadelphia	2,550,000	13.0	79.0	8.0	0	100.0
Boston	6,012,000	30.0	63.0	7.0	0	100.0
Weighted average		4.08	83.24	6.94	0	100.0

1/ Receipts volume included in survey reported by wholesale dealers.

2/ Used as basis for FDA wholesale price report.

Table 2. - Usual basis of buying dressed turkeys (Calculations based on December 1942 volume)

Market	Purchased at FOB shipping point	Received at definite price FOB market	Received on guaranteed basis in relation to wholesale quotations		Percentage total receipts sold at wholesale
			Percent	Percent	
New York	0	14.3	24.30	52.4	90.0
Chicago	43.91	12.96	43.13	0	91.0
Philadelphia	13.4	0	14.00	72.59	76.0
Boston	16.45	0	83.55	0	55.0
Weighted average	14.84	4.25	38.34	40.62	100.0

Because of last season's unusual conditions, the survey was not conclusive as to what results might be expected if an attempt were made to report f.o.b. prices during the active turkey marketing season in the current year (1943). It did indicate, however, that reporting of prices on that basis would not have been possible in years previous to 1942, because of the very limited volume of buying at definite f.o.b. prices.

The following summarizes the results of the December 1942 survey, as shown in the accompanying tables.

1. The volume of receipts at the four markets settled for on a definite f.o.b. price basis was 83 percent in December 1942, as compared with 4 percent in previous years.
2. Purchases made f.o.b. shipping point in December 1942 amounted to 4 percent of total receipts, compared with 15 percent in previous years.
3. The volume received on a consignment or commission basis in December 1942 was 7 percent of total receipts, compared with 38 percent in previous years.
4. No receipts were bought at a guaranteed price in relation to published quotations in 1942, whereas, in previous years, 41 percent of total receipts were so bought. (This method has been followed only at New York and Philadelphia.)
5. The volume sold at wholesale in the market during December 1942, thus forming a basis for reporting wholesale selling prices, averaged 79 percent of total receipts.
6. The principal reason for such marked changes in buying and selling practices in 1942, as compared with the practices in previous years, was the existence of the OPA maximum price regulation. Because the price regulation was relatively new, and further because turkeys were in unusually light supply, there was a tendency to buy and sell at the prices actually named in the OPA order.